

## SERVO MOTOR OIL (PRIVATE) LIMITED

### Analysts:

Shaheryar Khan Mangan  
(shaheryar@vis.com.pk)

### RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB	A2	BBB	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	May 21, 2026		December 19, 2024	

### Shareholding (5% or More)

Mr. Arif Iqbal- 51%
Mr. Waseem Akhter - 25%
Mr. Rashid iqbal- 12%
Mrs. Erum Iqbal- 12%

### Other Information

Incorporated in 2008
Private Limited Company
Chief Executive Officer: Mr. Arif Iqbal
External Auditor: Waqas & Co. Chartered Accountants

### 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/docs/VISRatingScales.pdf>

### Rating Rationale

The ratings reflect Servo Motor Oil (Private) Limited ('SMOPL' or 'the Company') association with the Chicago Group and its competitive position in the industry. Business risk profile remains constrained by higher competition, limited pricing power, and exposure to macroeconomic pressures, including weak demand and reliance on imported inputs. In FY25, net sales declined by ~13% to PKR 2.78bn, driven by lower selling prices and continued volumetric pressure amid subdued demand. Despite the contraction, margins improved, with gross and net margins rose indicating improved cost management. The financial risk profile has come under pressure, with increased reliance on short-term borrowings to fund working capital needs, resulting in higher gearing and leverage. Liquidity indicators have moderated while debt servicing remains adequate. Going forward, ratings remain sensitive to Company's ability to improve volumetric growth, manage working capital efficiently, and contain leverage while sustaining margins in a competitive and evolving operating environment.

## Company Profile

Servo Motor Oil (Private) Limited ('SMOPL' or 'the Company') was incorporated in Pakistan on June 05, 2008, as a private limited company. SMOPL is principally involved in manufacturing and sales of Blended Lubricating Oil and Greases. The Company is part of Chicago Group (CG) of Companies, which is based in Multan, Pakistan and has a diversified group portfolio across. The Company operates 50 warehouses across Pakistan and caters to the tractor and motorcycle segments, operating through a retail customer model. The registered office and manufacturing plant of the Company is located in Multan, Pakistan.

SMOPL is part of Chicago Group (CG) of Companies. CG is based in Multan, Pakistan and has a diversified group portfolio across various sectors including Tracking Solution (TRAXX VTMS (Pvt) Limited), Food (Riverside Raw Material (Pvt) Limited & Sidra Foods (Pvt) Limited), Spare parts (Chicago Metal Works (Pvt) Limited), Oil (Polygon Oil) and Packaging (MSM Packages).

## Management and Governance

SMOPL is a private limited company, with Mr. Arif Iqbal holding the majority shareholding (~51%). Mr. Arif also serves as the Chief Executive Officer of the Company. The board of directors of the Company comprise only two members, with CEO also part of the board.

### IT INFRASTRUCTURE / CERTIFICATIONS:

The Company utilizes SAP Business One (B1), an ERP platform, which supports process automation, real-time reporting, and system integration, thereby enhancing operational efficiency and internal controls. The platform encompasses modules including financial management, inventory and human resource management.

## Business Risk

### INDUSTRY

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 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.

### OPERATIONAL UPDATE

Lubricant	FY24	FY25
<b>Installed Capacity</b>		
Plant Blending (Metric Tons/ Day)	245	245
Plant Grease (Metric Tons/Day)	5	5
Total Capacity	250	250
<b>Total Annual Capacity (based on five working days)</b>	<b>60,000</b>	<b>60,000</b>
<b>Production</b>		
Plant Blending	7,421.0	6,526.4
Plant Grease	390.6	890.0
<b>Total Production MT</b>	<b>7811.6</b>	<b>7,416.4</b>
<b>Utilization (%)</b>	<b>13.0%</b>	<b>12.4%</b>

The Company continues to operate below optimal capacity levels, primarily due to heightened competition, ongoing macroeconomic challenges, albeit some improvement has been noted during the period under review, and demand pressures amid constrained purchasing power. Accordingly, production declined in FY25 to 7,416.4 MT, translating into capacity utilization of ~12%. Going forward, in view of geopolitical tensions in the Middle East, production levels are expected to remain subdued.

#### PROFITABILITY:

During FY25, the Company reported net sales of PKR 2,780.0m (FY24: PKR 3,221.2m), reflecting a decline of ~13%. The contraction is primarily attributable to lower average selling prices, compounded by a continued decline in volumetric offtake. The volume pressure underscores subdued demand dynamics, driven by constrained consumer purchasing power, persistent macroeconomic challenges, and heightened competitive intensity within the market.

Motorcycle oil remained the largest contributor to the sales mix, accounting for ~57% of total revenue in FY25, depicting a slight decline compared to the preceding year (FY24: ~58%). Diesel engine oil followed, contributing ~17% to the sales mix (FY24: 19.0%). The contribution of greases increased to ~12% (FY24: ~5%), while oils for petrol and gasoline-based automobiles accounted for ~10% (FY24: ~11%). Gear oil represented the smallest share at ~4.2%, declining from the preceding year (FY24: ~7%).

Gross margins of the Company showed a notable increase, reaching 13.07% in FY25 (FY24: 10.60%). This improvement is attributable to the retention of pricing power, as the Company was able to sell its products at relatively favorable prices despite the overall decline. Similarly, net margins improved to 2.41% in FY25 (FY24: 2.03%), primarily supported by higher gross margins.

During 8MFY26, net sales amounted to PKR 2,039.4m, reflecting a higher sales momentum compared to FY25. The increase was primarily driven by improved selling prices, while volumes remained under pressure. Margins also continued to depict improvement during the period. Going forward, the topline and profitability of the Company will remain exposed to the downside risk, particularly in view of the geopolitical developments in the Middle East and the economic aftermath thereof. Accordingly, both metrics are expected to be impacted.

## Financial Risk

#### CAPITAL STRUCTURE

The Company's capitalization profile reflects an increase in gearing and leverage to 0.84x and 1.01x as at Jun'25 (Jun'24: 0.55x and 0.78x). The uptick is primarily driven by a notable rise in short-term borrowings to support working capital requirements. Equity has strengthened to PKR 816m, supported by steady, albeit modest, profit retention, however, buildup of short term debt at year end resulted in higher gearing and leverage.

#### DEBT COVERAGE & LIQUIDITY

Amid competitive pressures, working capital pressures increased reflective in the lengthening of cash conversion cycle. Nevertheless, liquidity profile remains comfortable with a current ratio of 1.64x as at Jun'25 (Jun'24: 1.78x) and a short term debt coverage of 1.97x as at Jun'25 (Jun'24: 2.31x, Jun'23: 3.03x). The debt service coverage ratio (DSCR), albeit declining, has remained at a comfortable level, reported at 1.38x as at Jun'25 (Jun'24: 1.70x, Jun'23: 1.21x). Going forward, maintenance of liquidity profile and debt coverage metrics will remain important for the ratings.

Financial Summary				Appendix I
<b>Balance Sheet (PKR Millions)</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>
Property, plant and equipment	340.20	338.65	348.87	428.23
Right-of-use Assets	0.00	0.00	0.00	0.00
Intangible Assets	8.12	7.31	6.58	5.92
Long-term Investments	0.00	0.00	0.00	0.00
Stock-in-trade	519.89	516.34	621.24	736.83
Trade debts	123.93	88.76	203.09	341.05
Short-term Investments	0.00	0.00	0.00	0.00
Cash & Bank Balances	20.09	17.41	27.39	23.35
Other Assets	169.65	158.04	125.61	107.20
<b>Total Assets</b>	<b>1,181.88</b>	<b>1,126.51</b>	<b>1,332.78</b>	<b>1,642.58</b>
Creditors	26.01	55.52	74.84	72.19
Long-term Debt (incl. current portion)	205.43	114.42	57.24	139.93
Short-Term Borrowings	279.69	199.60	357.18	547.93
<b>Total Debt</b>	<b>485.12</b>	<b>314.02</b>	<b>414.42</b>	<b>687.86</b>
Other Liabilities	67.22	73.21	94.35	65.75
<b>Total Liabilities</b>	<b>578.35</b>	<b>442.75</b>	<b>583.61</b>	<b>825.80</b>
Paid up Capital	240.00	240.00	240.00	240.00
Revenue Reserve	363.53	443.77	509.21	576.79
Other Equity (excl. Revaluation Surplus)	0.00	0.00	0.00	0.00
Sponsor Loan	0.00	0.00	0.00	0.00
<b>Equity (excl. Revaluation Surplus)</b>	<b>603.53</b>	<b>683.77</b>	<b>749.21</b>	<b>816.79</b>
<b>Income Statement (PKR Millions)</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>
Net Sales	2,790.47	2,675.00	3,221.24	2,799.95
Gross Profit	267.67	291.03	341.52	366.04
Operating Profit	192.97	212.12	219.01	219.27
Finance Costs	70.98	98.70	114.13	116.66
Profit Before Tax	121.99	113.42	104.88	102.61
Profit After Tax	86.55	80.24	65.44	67.56
<b>Ratio Analysis</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25A</b>
Gross Margin (%)	9.59%	10.88%	10.60%	13.07%
Operating Margin (%)	6.92%	7.93%	6.80%	7.83%
Net Margin (%)	3.10%	3.00%	2.03%	2.41%
Funds from Operation (FFO) (PKR Millions)	132.12	122.13	128.19	122.63
FFO to Total Debt* (%)	27.23%	38.89%	30.93%	17.83%
FFO to Long Term Debt* (%)	64.31%	106.74%	223.95%	87.64%
Gearing (x)	0.80	0.46	0.55	0.84
Leverage (x)	0.96	0.65	0.78	1.01
Debt Servicing Coverage Ratio* (x)	0.89	1.21	1.70	1.38
Current Ratio (x)	1.58	1.90	1.78	1.64
(Stock in trade + trade debts) / STD (x)	2.30	3.03	2.31	1.97
Return on Average Assets (%)	7.26%	6.95%	5.32%	4.54%
Return on Average Equity (%)	15.89%	12.47%	9.13%	8.63%
Cash Conversion Cycle (days)	82.06	87.60	80.37	126.27

A - Actual Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Servo Motor Oil (Private) 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				
	21-05-2026	BBB	A2	Stable	Reaffirmed
	19-12-2024	BBB	A2	Stable	Reaffirmed
	13/11/2023	BBB	A2	Stable	Reaffirmed
	09/09/2022	BBB	A2	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.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.				
Due Diligence Meetings Conducted		Name	Designation	Date	
		Mr. Azhar Saeed	Chief Financial Officer	April 08, 2026	
		Mr. Ahsen Karim	Accounts Manager	April 08, 2026	