VIS
Credit Rating Company Limited

RATING REPORT

PAKISTAN OXYGEN LIMITED

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RATING DETAILS		
RATINGS CATEGORY	Initial Rating	
	Long-term	Short-term
ENTITY	AA-	A1
RATING OUTLOOK/ WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	August 19, 2026	

Shareholding Structure	Other Information
Adira Capital Holdings (Pvt.) Ltd. - 33.55%	Incorporated in 1949
Local Public – 19.09%	Public Limited Company (Listed)
Soorty Enterprises (Pvt.) Ltd. - 12.13%	Chief Executive Officer: Mr. Shaikh Farried Aman (Interim)
Ms. Saima Shahbaz Malik - 8.09%	External Auditor: BDO Ebrahim & Co. Chartered Accountants
Ms. Rushna Malik - 8.09%	
Mr. Shahzain Shahbaz Malik - 8.09%	
Mr. Shahid Mehmood Umerani - 7.28%	
Foreign – 3.68%	

Applicable Rating Methodology

Corporate Rating
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

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

Rating Rationale

The assigned ratings reflect Pakistan Oxygen Limited's ('POL' or the 'Company') sustained strengthening of its business and financial risk profile, underpinned by its leading position in Pakistan's industrial gases industry. Its diversified customer base and nationwide cylinder distribution network provide resilience and reinforce its competitive advantage. Continued investments in capacity expansion, improved asset utilization, disciplined pricing, and operational efficiencies have supported sustained revenue growth, stronger earnings quality, and margin expansion despite a challenging operating environment. Demand from healthcare and oil & gas has partly offset weakness in traditional industrial sectors, while POL's longstanding technical association with Linde plc continues to support operational excellence, product quality, innovation, and internationally recognized safety standards.

The ratings also factor in the strengthened governance framework following the Board's reconstitution in January 2026, comprising a balanced mix of independent and non-executive directors with diverse expertise across industrial operations, finance, corporate advisory, risk management, and governance. While the Company is currently led by an interim Chief Executive Officer, the timely appointment of a permanent CEO will remain important to ensure continuity of strategy execution.

POL's financial risk profile has strengthened through continued deleveraging, robust operating cash flow generation, and strong liquidity, supporting comfortable debt servicing and coverage metrics. Going forward, the ratings remain dependent on the Company's ability to maintain its market leadership, sustain profitability and prudent financial policies, and execute its growth strategy without materially weakening its financial profile.

Company Profile

Pakistan Oxygen Limited (POL) is Pakistan's leading producer and distributor of industrial and medical gases. Founded in 1935 and formally incorporated in 1949 as a private limited company, it was converted into a public limited company in 1958. The Company was historically associated with the BOC Group and, in 2011, was renamed Linde Pakistan following alignment with the global industrial gases major Linde plc. Subsequently, in 2018, after the acquisition of a majority shareholding by a consortium comprising Adira Capital Holdings (Private) Limited, Soorty Enterprises, and members of the Hilton Pharma family, the Company was renamed as Pakistan Oxygen Limited, marking a transition to predominantly local and regional ownership while retaining its established operational legacy.

The Company manufactures and supplies a wide range of gases, including oxygen, nitrogen, argon, carbon dioxide, hydrogen, nitrous oxide, dissolved acetylene and specialty gases serving diverse sectors such as healthcare, steel, chemicals, food & beverages, and engineering The Company operates Air Separation Units in Lahore and Karachi, Hydrogen plant at Port Qasim, Karachi and dissolved acetylene plants in Karachi and Wah Cantt. In 2023, it commissioned its flagship 270 TPD Air Separation Unit and an 11 TPS Electrode plant at Port Qasim, Karachi, strengthening production capacity and supply reliability. The registered office of the Company is located at West Wharf, Dockyard Road, Karachi.

Management and Governance

The Company remains effectively sponsor-led with a controlling interest of ~77%, held by a consortium of private equity–style investors and established business families. The largest sponsor, Adira Capital Holdings (Private) Limited, was incorporated in February 2017, as a semi-private equity and long-term investment holding platform backed by high-net-worth individuals and prominent business families. This structure supports a long-duration investment horizon, well aligned with Pakistan Oxygen Limited's capital-intensive industrial gases operations. Company was co-founded by seasoned professionals with extensive leadership experience across the corporate and financial sectors. The founding team brings decades of international and domestic expertise, including senior executive roles in multinational corporations, listed companies, and leading financial institutions, supported by strong backgrounds in corporate governance, strategic management, and business leadership.

In addition to Adira Capital Holdings (Private) Limited, strategic shareholding includes Soorty Enterprises (Private) Limited and members of the Hilton Pharma group family-members, reflecting a balanced mix of financial, industrial, and entrepreneurial capital. Collectively, the sponsor profile demonstrates strong governance depth, financial acumen, and sector-relevant industrial expertise.

POL maintains a structured and strengthened governance framework that is compliant with SECP requirements, supporting transparency and effective oversight. The newly constituted Board, effective January 2026, comprises a balanced mix of independent and non-executive directors with diverse experience across industrial operations, finance, corporate advisory, risk management, and governance. The Board, comprising of ten members, is led by Mr. Shahid Mehmood Umerani, Chairman (Non-Executive Director), who brings extensive experience in management consulting, strategy, valuation, and corporate advisory. The Board includes independent directors such as Mr. Tayyeb Afzal (Chairman Audit Committee), Mr. Arshad Mohsin Tayebaly (Chairman Human Resource, Remuneration and Nomination Committee), Ms. Sadia Khan (Chairperson Risk and Sustainability Committee), Mr. Sohail Razi Khan, and Mrs. Sadia Naveed, strengthening oversight across key governance areas. The Board is further supported by experienced non-executive directors, including Mr. Siraj Ahmed Dadabhoy, Mr. Mohammad Iqbal Puri, Mr. Kamran Gul-e-Anwer and Mr. Muhammad Ashraf Bawany, former CEO and Managing Director of Linde Pakistan, whose sector expertise provides valuable industrial gases industry insight. The enhanced Board composition, supported by dedicated Audit, Human Resource, Remuneration & Nomination, and Risk & Sustainability Committees, is expected to further strengthen governance standards, strategic oversight, and risk management practices.

The Company is currently undergoing a leadership transition, with an interim CEO appointed following the conclusion of the previous management arrangement, while the search for a permanent Chief Executive Officer is underway. The appointment of a suitable successor will remain important to ensure continuity of strategy execution and sustain POL's growth trajectory.

Business Risk

INDUSTRY

Pakistan's industrial gases sector is organized, concentrated, and largely self-sufficient, with domestic production meeting over 99% of total demand. The industry operates as a functional duopoly, led by Pakistan Oxygen Limited and Ghani Chemicals Limited, which together account for roughly 70–75% of installed capacity and around 90% of sector revenues. Total installed capacity is estimated at 1,300–1,500 tonnes per day (TPD), with average capacity utilization around 53–55% in FY25, indicating available headroom for demand growth without significant immediate capacity additions. Sector revenues reached approximately PKR 25.9 billion in FY25, reflecting a CAGR of ~15.8% during FY21–FY25. Industry growth has historically tracked Large-Scale Manufacturing (LSM) activity, as industrial gases are critical inputs for sectors such as steel, chemicals, cement, automobiles, and manufacturing. Despite a mild LSM contraction of ~0.7% in FY25, sector revenues expanded by ~14.6%, supported by resilient demand from automobiles, food & beverages, pharmaceuticals, chemicals, and healthcare. The sector witnessed exceptional growth during FY21 amid elevated medical oxygen demand during COVID-19, followed by moderation in FY23 due to industrial slowdown, and a recovery in FY24 alongside improved manufacturing activity.

Looking ahead, while the sector remains exposed to cyclical industrial demand, given its reliance on LSM activity and high energy sensitivity, the demand is expected to remain supported by pharmaceuticals, food processing, construction, infrastructure development, and manufacturing automation, translating into steady medium-term volume growth of around 5–6% annually.

OPERATING PERFORMANCE

POL is a leading producer of industrial and medical gases in Pakistan, operating multiple Air Separation Units (ASUs) with a combined production capacity 533 tons per day across its facilities in Karachi and Lahore. The Company also produces specialty gases, hydrogen, nitrous oxide, dissolved acetylene, dry ice, and welding consumables, supported by a nationwide distribution network and over 2.5 million m^3 of storage capacity of ASU gases.

The Company's revenue base remains concentrated in two primary segments: Industrial, Medical and Other Gases, and Welding & Others. The gases segment continues to dominate, contributing approximately 87% of total revenues and recording a healthy growth of 15% during the year. This segment also remains the key profitability driver, accounting for nearly 92% of operating profits, underscoring its strategic importance to the overall business.

Within gases, the healthcare vertical has emerged as a notable contributor, posting robust growth of ~21% in 2025. This performance was supported by the retention of major public and private sector hospital contracts, addition of new healthcare clients, and continued expansion in the Medical Engineering Services (MES) business. The segment's growth trajectory is particularly noteworthy given the relatively subdued demand environment in core industrial sectors such as steel, chemicals, and glass. Nitrogen volumes also demonstrated strong performance, exceeding prior year levels, primarily driven by increased demand from the oil and gas sector. The Company also leads in the tier-1 electrode market, with the Welding & Hardgoods segment achieving a year-on-year volumetric growth of 18% in 2025, despite operating in a highly competitive environment characterized by persistent pricing pressure from low-cost Chinese imports.

PROFITABILITY

POL has exhibited a strong trajectory, underpinned by robust revenue growth and notable margin expansion, reflecting effective pricing strategies, operational efficiency, and disciplined cost management. For the year ended December 31, 2025, the Company reported net sales of PKR 13bn, representing a 15% increase over CY24, which had itself achieved 32% growth. This sustained topline momentum was primarily driven by higher sales of medical oxygen and liquid nitrogen, complemented by a recovery in the welding segment.

The Company's gross margin expanded sharply to 40% in CY25 from 27% in CY24, reflecting improved Air Separation Unit (ASU) efficiencies, better cost absorption, and enhanced operational discipline. Operating expenses were well-contained, while financial charges declined materially due to better working capital management, a lower policy rate environment, and collectively supporting profitability. As a result, net margins strengthened to 13%, despite higher taxation, demonstrating POL's ability to translate topline growth and operational improvements into sustainable bottom-line performance. The financial performance underscores both structural competitiveness in key industrial and medical segments and the effectiveness of the Company's cost and pricing strategies in a challenging macroeconomic environment.

Financial Risk

CAPITAL STRUCTURE

POL's capital structure remains robust and continues to strengthen, underpinned by strong internal capital generation, and disciplined deleveraging. As of end-CY25, equity (exclduing surplus on revlauation) stood at PKR 6.8bn (CY24: PKR 5.2bn), supported primarily by retained earnings of PKR 3.7bn for the period. The Company's debt profile is predominantly long-term in nature, consisting mainly of concessional financing and Islamic financing facilities utilized for capacity expansion projects. Total debt, comprising long-term and short term borrowings and lease liabilities, declined to PKR 4.0bn (CY24: 6.0bn), reflecting scheduled repayments and prudent financial management. Consequently, gearing and leverage improved to 0.59x (CY24: 1.16x) and 1.30x (CY24: 1.89x) respectively.

DEBT COVERAGE & LIQUIDITY

POL's debt servicing capacity strengthened significantly during CY25, driven by robust operating performance, improved margins, and a notable reduction in finance costs. Net operating cash flows improved to PKR 3.7bn (CY24: PKR 2.2bn), reflecting both better working capital management and lower interest outflows. The Debt Servicing Coverage Ratio (DSCR) improved sharply to 5.21x in CY25 (CY24: 1.88x; CY23: 1.06x), indicating comfortable coverage of principal and markup obligations from internally generated cash flows. Funds from Operations to Total Long Term Debt (FFO/TD) also remains strong.

Liquidity profile is supported by an improving current ratio 1.26x at year end 2025 and short term debt coverage of 2.2x. Sizeable cash bank balances of PKR 1.3bn at end-CY25 also provides comfort. In addition, the Company maintains diversified banking relationships providing flexibility to manage short-term funding requirements and respond to operational needs. Overall, the Company exhibits a comfortable coverge and liquidity profile, with strong cash generation supporting operational stability and future growth initiatives.

Financial Summary				PKR Mn
Balance Sheet	**FY22A**	**FY23A**	**FY24A**	**FY25A**
Property, plant and equipment	12,070.56	13,539.61	13,463.54	14,190.10
Right-of-use Assets	14.38	11.14	10.36	7.09
Intangible Assets	22.15	19.77	14.38	23.66
Long-term Investments	0.01	0.01	0.01	0.01
Stock-in-trade	980.08	651.00	797.10	804.13
Trade debts	827.27	1,337.55	1,795.43	2,197.31
Cash & Bank Balances	546.94	406.82	562.66	1,300.64
Other Assets	2,647.07	2,318.85	2,499.80	2,072.94
Total Assets	17,430.94	18,651.59	19,085.83	20,595.88
Creditors	770.22	297.32	603.78	585.28
Long-term Debt (incl. current portion)	4,677.72	4,979.41	4,456.64	2,727.50
Short-Term Borrowings	2,477.51	2,930.94	1,987.01	1,631.78
Total Debt	7,176	7,928	6,460	4,371
Other Liabilities	2,034.67	1,979.99	3,132.53	4,257.87
Total Liabilities	9,666.96	10,012.93	9,739.64	8,868.79
Paid up Capital	585.91	871.24	871.24	871.24
Revenue Reserve	2,991.41	2,985.67	3,693.21	5,353.90
Other Equity (excl. Revaluation Surplus)	0.00	595.09	595.09	595.09
Equity (excl. Revaluation Surplus)	3,577.31	4,452.00	5,159.54	6,820.23

Income Statement	FY22A	FY23A	FY24A	FY25A
Net Sales	7,296.36	8,589.00	11,345.10	13,047.29
Gross Profit	1,324.44	1,560.63	3,059.96	5,239.98
Operating Profit	684.45	892.36	2,175.98	4,123.66
Finance Costs	209.04	686.85	999.10	483.16
Profit Before Tax	475.41	205.51	1,176.88	3,640.50
Profit After Tax	420.05	144.74	711.76	1,669.03

Ratio Analysis	FY22A	FY23A	FY24A	FY25A
Gross Margin (%)	18.15%	18.17%	26.97%	40.16%
Operating Margin (%)	9.38%	10.39%	19.18%	31.61%
Net Margin (%)	5.76%	1.69%	6.27%	12.79%
Funds from Operation (FFO) (PKR Mn)	748.23	682.88	1,605.37	3,871.34
FFO to Total Debt* (%)	10.90%	8.83%	26.74%	96.17%
FFO to Long Term Debt* (%)	17.07%	14.21%	39.97%	161.72%
Gearing (x)	1.92	1.74	1.16	0.59
Leverage (x)	2.70	2.25	1.89	1.30
Debt Servicing Coverage Ratio* (x)	1.48	1.06	1.88	5.21
Current Ratio (x)	1.06	0.97	1.04	1.26
(Stock in trade + trade debts) / STD (x)	1.01	0.93	1.58	2.25
Return on Average Assets* (%)	3.08%	0.80%	3.77%	8.41%
Return on Average Equity* (%)	12.46%	3.61%	14.81%	27.86%
Cash Conversion Cycle (days)	76.02	79.21	70.79	65.48

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES	Appendix I
Name of Rated Entity	Pakistan Oxygen Limited
Sector	Industrial Gases
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/Watch	Rating Action
RATING TYPE: ENTITY				
8/19/2026	AA-	A1	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Jamshed Azhar	CFO	16th Jan 2026
Mr. Saroop Kumar	Manager FP&A	