



We revise our target price for PSO to PKR 506/share from PKR 447/share, primarily driven by expectations of higher sales volumes and improving liquidity amid better receivables recovery. At the last closing market price of PKR 360.66/share, the stock offers an upside potential of 43.9%. We expect PSO to post an EPS of PKR 43.46 in FY27, translating into a forward P/E of 8.30x, alongside an anticipated dividend of PKR 13/share. Given the attractive upside potential, improving liquidity position and expected earnings growth, we maintain our BUY stance on the stock.

Liquidity Improves, but Circular Debt Remains a Key Overhang

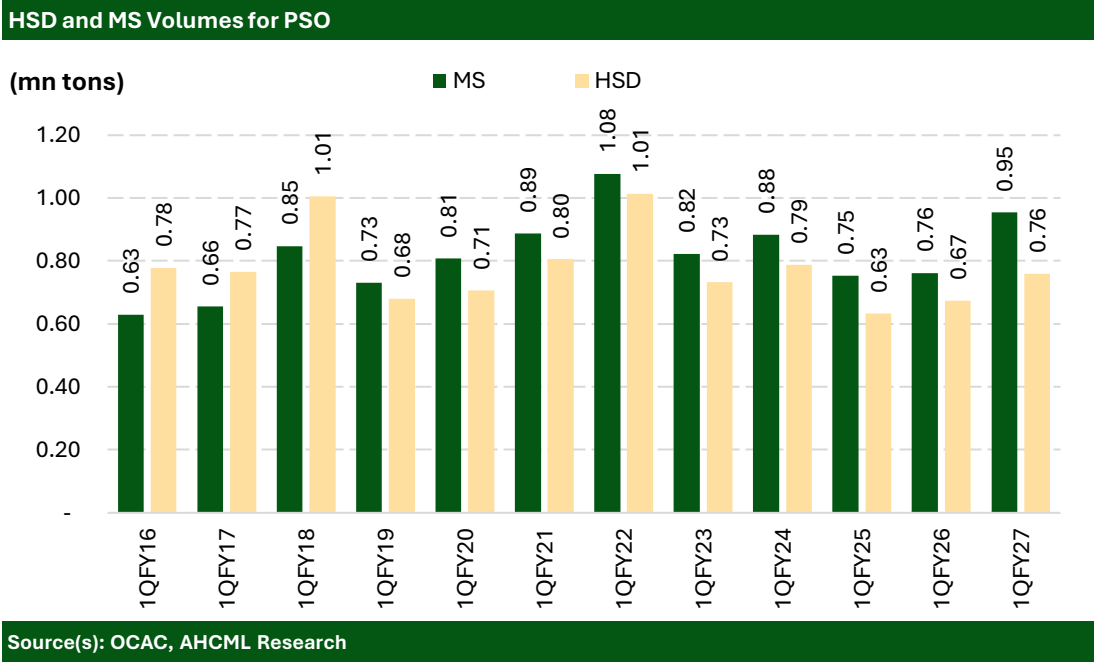
PSO’s circular debt management efforts yielded improvement in working-capital efficiency during FY26. Trade receivables declined by PKR 22.7bn YoY to PKR 414.8bn, with SNGPL receivables falling by PKR 34.3bn. This reduction in receivables, coupled with lower discount rates, resulted in a 24% YoY decline in finance costs, supporting profitability. However, circular debt remains a key liquidity risk, with PKR 325.2bn in overdue receivables attributable to the issue, including PKR 257.6bn from SNGPL and PKR 67.6bn from GENCO. PSO continues to engage with the Government and key stakeholders for a sustainable resolution, as progress on circular debt remains a significant share-price catalyst, particularly developments involving the gas sector.

Robust Sales Growth Reinforces PSO’s Market Leadership

Recently, OMC sales data was released for 1QFY27, in which PSO's MS volumes increased by 25% YoY to 0.95 mn tons from 0.76 mn tons in 1QFY26. While the HSD volumes increased to 0.76 mn tons from 0.67 mn tons in 1QFY26, showcasing 12% YoY growth. The company continued to strengthen its position, with total sales increasing 17.6% YoY to 1.91mn tons in 1QFY27, significantly outperforming overall industry growth of 5.7%. In terms of market share, PSO strengthened its leadership position, with its share increasing to 47.5% from 41.6% in the SPLY.

Company Information		14-October-2026
Name	Pakistan State Oil Company Limited	
Ticker	PSO	
BBG Ticker	PSO PA	
No.of Shares (mn Shares)	469.47	
Free Float %	50%	
Market Cap PKR bn	169.32	
Market Cap USD bn	0.61	
Last Closing	360.66	
Target Price	506.03	
Return	43.91%	

Source(s): PSX, AHCML Research





LNG Earnings Decline as Supply Disruptions Weigh on Performance

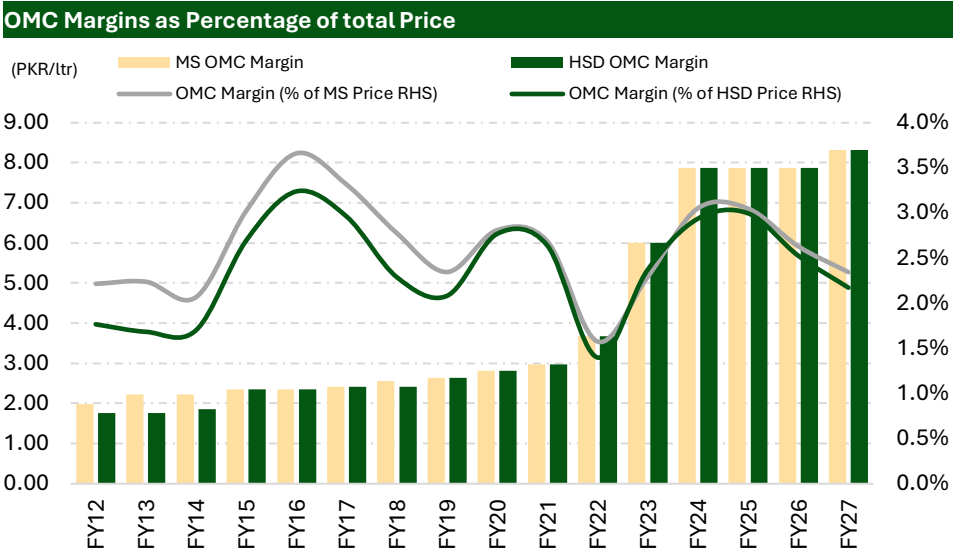
PSO’s LNG segment witnessed a decline in gross profit to PKR 18.1bn in FY26 from PKR 28.8bn in FY25, primarily due to supply disruptions around the Strait, which curtailed cargo availability and reduced RLNG volumes. Consequently, LNG’s contribution to total gross profit declined to 18% from approximately 30% in the previous year, indicating improved diversification of the Company’s earnings base. However, the segment continued to incur a net loss of PKR 7.8bn, compared to PKR 8.4bn in FY25, mainly due to finance costs associated with outstanding receivables from SNGPL. Furthermore, the absence of long-term contractual arrangements with downstream buyers continues to expose PSO to commercial and financial risks, with limited progress made towards formalising the tripartite agreement with SNGPL and SSGC during FY26. Meanwhile, the asset turnover ratio edged down to 3.07x from 3.09x, reflecting lower LNG sales.

Pending Margin Hike Offers Potential Earnings Upside

The Oil Companies Advisory Council (OCAC) has called for the immediate implementation of the approved PKR 1.22/litre increase in OMC margins, which has remained pending despite rising financing, operating, logistics and regulatory costs. OMC margins have remained unchanged since Sep’23, while dealer margins were recently increased by PKR 1.34/litre, effective Aug’26. Implementation of the approved revision would provide incremental per-litre earnings support to OMCs and partially offset rising operating expenses. However, the realization of this benefit remains contingent on formal notification and implementation by the government.

Unsettled Government Claims Add to Financing Costs

The OCAC has urged the government to expedite the settlement for the oil industry’s outstanding government receivables, comprising PKR 72bn in sales tax refunds for Feb’22–Jun’24 and PKR 66.7bn in pending Price Differential Claims (PDCs).It further stated that the prolonged delay has also resulted in estimated annual financing costs of PKR 7–7.5bn on sales tax claims, alongside PKR 3.8bn in financing costs associated with outstanding PDCs. The accumulation of these dues continues to strain OMCs’ working capital and liquidity, as companies finance petroleum procurement, imports, inventory and distribution to maintain uninterrupted fuel supplies. PSO’s pending PDCs have reached PKR 26.5bn, and sales tax refundable have reached PKR 83.1bn as per FY26.



Source(s): OCAC, AHCMML Research

Other Receivables of PSO					
PKR million	FY23	FY24	FY25	FY26	YoY
PDC	1,981	2,236	2,236	26,459	(24,223)
Unfavourable exchange differences	61,455	57,651	64,650	60,992	3,657
Excise, Petroleum Development Levy (PDL)	260	260	225	225	0
Sales tax refundable - due from related party	29,280	55,654	74,191	83,121	(8,930)

Source(s):Company Financials, AHCMML Research



Trade Debt Reduction Offers Some Relief

PSO’s total trade debts declined by PKR 34.6bn YoY to PKR 363.4bn in FY26 from PKR 398.0bn in FY25, reflecting improved recovery, primarily from SNGPL. SNGPL’s outstanding debt decreased by PKR 34.3bn to PKR 276.1bn, while GENCO’s receivables remained relatively stable at PKR 67.6bn. Among other major customers, receivables from Pakistan Railways declined by PKR 174mn to PKR 4.9bn, whereas dues from PIA increased marginally by PKR 163mn to PKR 13.8bn. Despite the YoY improvement, SNGPL remains PSO’s largest debtor, highlighting continued exposure to circular debt and liquidity pressures.

Weak 4QFY26 Performance Amid Inventory Losses

PSO reported a standalone loss of PKR 23.1bn in 4QFY26, primarily due to inventory markdowns following the correction in petroleum prices, with gross profit turning negative at PKR 33.6bn compared to a profit of PKR 86.5bn in 3QFY26. Finance costs increased 22% YoY to PKR 8.36bn, reflecting higher short-term borrowings, while subdued LNG activity and declining MS and HSD volumes further weighed on performance.

For FY26, PAT declined 26% YoY to PKR 15.1bn, translating into EPS of PKR 32.10. Despite a modest improvement in gross margin to 3.3% from 3.1% in FY25, higher operating expenses and an increase in the effective tax rate to 72.2% constrained earnings. On a positive note, receivables declined by PKR 40bn QoQ to PKR 415bn, with the recovery ratio reaching 100.7%, indicating an improvement in collections and liquidity. PSO announced a dividend of PKR 10/share for FY26, representing a payout ratio of approximately 31%.

Trade Debts of PSO					
PKR million	FY23	FY24	FY25	FY26	YoY
GENCO	71,922	70,618	67,998	67,617	381
SNGPL	343,864	335,078	310,397	276,068	34,329
Pakistan International Airlines Corporation	13,617	15,727	13,659	13,822	(163)
K-Electric Limited	4,368	2,754	10	23	(13)
Pakistan Railways	4,036	5,176	5,078	4,904	174
Oil & Gas Development Corporation Limited	-	713	744	940	(196)
Pakistan Petroleum Limited	53	11	34	1	33
Sui Southern Gas Company Limited	1	8	12	8	4
WAPDA Foundation	-	73	68	29	39
Total	437,864	430,159	397,999	363,412	34,587

Source(s): Company Financials, AHCML Research

(PKR mn)	FY26	FY25	YoY	4QFY26	4QFY25	YoY	QoQ
Income Statement							
Net Revenue	3,050,026	3,149,389	-3%	808,970	812,837	0%	9%
Cost of Sales	2,950,088	3,052,679	-3%	842,652	789,421	7%	28%
Gross Profit	99,938	96,710	3%	(33,682)	23,417	nm	nm
Distribution Expens	23,006	21,078	9%	6,648	4,855	1%	18%
Admin Expense	8,405	7,432	13%	2,886	2,208	31%	60%
Others Income	17,516	22,131	-21%	4,788	6,967	-72%	17%
EBIT	79,968	86,197	-7%	(29,942)	21,799	nm	nm
Finance Cost	25,655	33,718	-24%	8,369	6,854	22%	42%
Profit before Taxation	54,202	52,164	4%	(38,310)	13,788	nm	nm
Taxation	39,135	31,881	23%	(15,259)	8,774	nm	nm
Profit / loss after Taxation	15,068	20,283	-26%	(23,051)	5,014	nm	nm
EPS (PKR)	32.1	44.5		(49.1)	10.7		
DPS (PKR)	10.0	10.0		10.0	10.0		

Source (s): Company Financials, AHCML Research

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