AHL Brief Note: 22-Oct-2026
Refinery: National Refinery Limited
Corporate Briefing Takeaways

REP-300

NRL senior management held an analyst briefing today to discuss financial performance of FY26 and the future outlook.

Brief Takeaways

- NRL's product yield mix remained broadly stable in FY26, with HSD/middle distillates contributing 43% of total yields in 4QFY26, unchanged QoQ but down from 45% in 1QFY26. Mogas yield improved to 14% from 13% in the preceding quarter, while fuel oil/extract oil declined to 17% from 19%. LBO yields remained stable at 7%. On the crude mix front, Arabian Light's share increased to 44% in 4QFY26 from 38% in 3QFY26, while AXI/DAS/ULL/Murban declined to 56% from 62%.
- Capacity utilization improved to ~70% from 56% in the previous year, reflecting better plant operations and reliability. Production of HSD, motor gasoline and lubricating base oils also increased significantly, with HSD yields improving over the year and supporting the overall product mix.
- NRL's sales increased to 502k tons in 4QFY26, up 14% YoY from 441k tons in 4QFY25, driven by higher HSD sales of 200k tons (broadly flat YoY), Mogas sales of 75k tons (+17% YoY), LBO sales of 35k tons (+3% YoY) and furnace oil (FO) sales of 94k tons (+59% YoY). Throughput increased 14% YoY to 527k tons, while capacity utilization improved to 69% from 61% in the same period last year.
- Management indicated that HSD yields can be increased further through an optimized crude mix, with lighter crude grades allowing a higher diesel share.
- Management reported an inventory loss of ~PKR 7bn following the sharp decline in crude prices in Jun'26.
- NRL maintains approximately seven days of crude inventory in line with OGRA requirements. Management noted that finished-product inventories are generally kept low because production is largely sold within one to two days, given strong domestic demand.
- Management highlighted a sharp rise in freight costs, port congestion and vessel demurrage amid geopolitical disruptions, increasing procurement costs and working capital requirements. Shipments from Fujairah generally offer shorter turnaround times than those from Yanbu. The company continues to evaluate alternative crude sources based on overall economics, availability and processing suitability, with regional grades generally carrying lower premiums than US and African crude.
- NRL primarily procured Aramco crude in FY26, accounting for ~90% of total crude intake, while the remaining 10% comprised adnoc and local crude.
- Aramco's announced crude premiums have turned negative, reaching ~USD 1.5–2/bbl for certain grades, with further reductions announced for November. However, supply constraints have forced NRL to rely on spot cargoes, where premiums can range between USD 10–15/bbl, depending on market conditions and negotiations.

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- Crude procurement costs comprise the official selling price (OSP), crude premium, freight and additional war risk insurance costs. Freight from Fujairah typically ranges between USD 4–6/bbl, while shipments involving Yanbu can cost ~USD 10–12/bbl or more. Additional war risk costs, including vessel and cargo insurance, have increased to ~USD 1–1.5/bbl from USD 0.15–0.20/bbl previously.
- NRL's crude procurement was approximately 50:50 between term contracts and spot cargoes in October. The company has also arranged very large crude carriers (VLCCs), with cargoes subsequently transferred to smaller vessels, to manage supply constraints, although this arrangement has increased freight costs.
- Management stated that LBO prices have been almost fully linked to international market prices, with supplies to customers priced accordingly.
- Based on the previous day's prices, with crude at a ~USD 110/bbl and petrol at USD 117/bbl, management indicated an indicative MS gross refining margin of around 3–5%.
- NRL is conducting a refinery upgrade feasibility study with Wood Group of the UK, evaluating 10–20 options with estimated capex of USD 300mn–1.2bn. The upgrade will focus on Euro-V petrol production and may include Group II lubricant base oil production, while maintaining existing Euro-V diesel output. The feasibility study is expected to conclude by Jun'27, with refineries required to complete upgrades within five years, plus a potential one-year extension. Financing plans remain undecided and will depend on the final project scope, with discussions ongoing with multiple banks.
- Management clarified that the 27.5% pre-tax incentive translates into an effective post-tax benefit of ~16% of project capex, which provides some support but is not sufficient on its own to materially reduce the overall investment burden.
- Management noted that the government has capped the customs duty calculation using the last import price of ~PKR 15/litre, whereas the duty could otherwise have reached PKR 25–30/litre amid higher international prices. This limits the recovery available to refineries under the current pricing mechanism.
- Management clarified that the import duty on crude is recoverable under the revised refinery policy through the IFEM pool, eliminating the previous disadvantage relative to locally sourced crude.
- Management highlighted that the revised HSD pricing formula is adversely affecting refinery realizations, as international crude premiums have risen relative to the premiums reflected in the pricing mechanism. While NRL is paying actual premiums of USD 12–15/bbl in certain cases, the formula does not fully capture these costs, creating pressure on refinery margins.

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