Pakistan Refinery

22 October 2026

National Refinery Ltd. (NRL PA)

FY26 Analyst Briefing Takeaways

National Refinery Limited (NRL) reported FY26 NPAT of PKR6.2bn (EPS: PKR77.09), reversing a net loss of PKR14.9bn in FY25. The turnaround was driven by stronger refining margins amid the Middle East conflict, although elevated inventory losses weighed on 4QFY26 earnings.

Key takeaways from the briefing:

Update on operational performance:

- Capacity utilization improved to 69% (FY25: 56%), with crude throughput rising 24% YoY to c.2.12mn tons and product sales increasing 19% to c.1.93mn tons.
- HSD, Mogas and LBO production rose 29%, 35% and 29% YoY to 888k, 283k and 143k tons, respectively.
- Management does not plan further capacity expansion and does not expect industry-wide capacity additions.

Impact of the Middle East conflict:

- The March 2026 US–Iran conflict disrupted Strait of Hormuz flows, pushing Dubai/Oman crude prices to a peak of c.US$167/bbl.
- Freight costs increased roughly tenfold to c.US$6mn per cargo, while LC requirements tripled to PKR150bn.
- Higher product prices, particularly HSD, lifted 3QFY26 GRM to US$20.3/bbl and NPAT to PKR7.3bn.
- Following the mid-June ceasefire, lower prices triggered a PKR7bn net realizable value (NRV) inventory loss, contributing to a 4QFY26 net loss of PKR2.9bn.
- Additionally, management guided that premium on regional crude is around US$10-15/bbl, while premium on other crude (such as WTI and Nigerian crude can go up to US$30-35/bbl), while the war risk premium can go up to US$1.5/bbl.

Financial performance and refinery upgradation:

- FY26 GRM improved to US$11.95/bbl from US$3.63/bbl in FY25, taking gross profit to PKR23.5bn versus a gross loss of PKR6.2bn in FY25.
- NRL reversed the PKR6.7bn crude oil customs duty benefit recognized through June 2025 and will not recognize further benefits until the upgrade agreement is signed.
- NRL subsequently executed its upgrade agreement with ISGS under the amended Brownfield Refining Policy. Wood has been appointed to conduct the feasibility study, due by June 2027. The capex is expected to range between US$300-400mn to US$1.2bn, subject to final decision regarding the upgradation. Financing will depend on the quantum of capex.
- NRL intends to contest the surrender of the 2.5% HSD deemed duty from October 2024, arguing that its agreement was initialed within the deadline and that it has already invested in Euro-V HSD.

Management is targeting higher throughput and increased production of HSD, LBOs and premium gasoline, while exploring crude sourcing outside the GCC. The upgrade feasibility study and execution remain key milestones, while crude availability, freight costs and refining-margin volatility will continue to influence near-term performance.

Abdul Ghani Mianoor
Abdul.ghani@imsecurities.com.pk
+92-21-37131610

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*Based on 12 month horizon unless stated otherwise in the report.

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