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REP 019

# Policy shift puts the burden on refineries

AKD Securities Limited

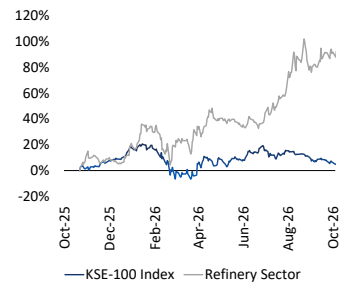
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**On 30th Oct'26, the federal cabinet approved a revised petrol pricing mechanism for an initial 30 days. Import parity will now follow the import cost of the PSO cargo, where refineries will receive ex-refinery price estimate of Mar 7th, 2026 (pre-war) premium, incidentals and customs duty. Subsequently, they must surrender the difference between the two under the petroleum levy head, benefitting the consumers through a lower petrol price, including a PkR14.7/liter cut in petroleum levy. Furthermore, refineries are also instructed to file daily MS sales reports with CPRs/challans to Petroleum Division and OGRA.**

**We estimate a PkR16.4bn sector impact in Nov'26:** We assume about PkR49.7/liter is absorbed on roughly 329mn liters of refinery MS sales (243.6k tons) as per Sept'26 volumetric figures. ATRL among the listed players bears the largest brunt of PkR2.2bn (PkR20.8/share), NRL at PkR1.2bn (PkR14.5/share), PRL at PkR1.1bn (PkR1.7/share) and Cnergyico at PkR1.0bn (PkR0.2/share).

**Investment Perspective:** The PkR14.7/liter cut in petroleum levy should lower petrol prices and ease CPI, but we expect MS margins to stay negative for refineries during the month. After customs duty and PkR49.7/liter surrender, effective ex-refinery MS price falls to PkR207.1/liter (US$119.6/bbl), resulting in estimated local petrol margin of –ve US$5.0/bbl.

***Refinery Sector vs. KSE100 Index***




Source: PSX & AKD Research

***Impact of absorption of reduction in Petroleum Levy by PkR15/liter on refineries***

| Assumptions | Sales (mn liter) | Impact (PkR mn) | Impact/sh (PkR) |
|---|---|---|---|
| PARCO | 153.8 | (4,815) | |
| NRL | 36.9 | (1,155) | (14.45) |
| PRL | 34.6 | (1,083) | (1.72) |
| ATRL | 70.9 | (2,220) | (20.82) |
| CNERGY | 33.1 | (1,035) | (0.19) |
| **Refineries sector** | **329.2** | **(16,362)** | |

Source: OCAC and AKD Research

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