Refinery Sector to face higher import cost burden

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Refinery Sector Update — Revised MS Pricing Mechanism

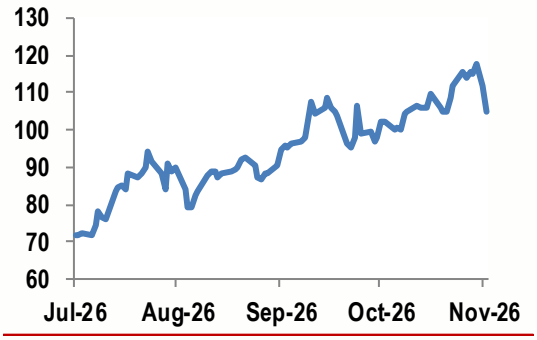
Revised pricing mechanism for petrol prices

- The Federal Cabinet through its interim decision dated October 30, 2026 has approved a revised mechanism for determining day-to-day Motor Spirit (MS) prices in order to provide relief to the consumers, as global oil prices remain elevated because of the US-Iran war. In essence, the revised mechanism will shift a part of the burden of Petroleum Levy (PKR 80/litre currently) from the consumers on to the Refineries, going forward.
- Precisely, the import price for determining the cost of supply will be based on the actual import cost of the relevant PSO cargo; or in case the actual import cost is not available for daily price determination; the premium, incidental charges and customs duty of the last available cargo. Refineries will remain entitled to the ex-refinery price of MS calculated using the premium, incidentals, and customs duty applicable as of 7 March 2026 (pre-war level).
- Accordingly, the difference between the actual import price and the protected ex-refinery price will be surrendered by refineries to the Government under the Petroleum Levy head of account. Refineries would be required to deposit the differential in accordance with the applicable OGRA price notifications and Petroleum Division instructions. Finally, any benefit arising from the adjustment would be passed on to the consumers.

Changes in pricing components of MS

- As per the OGRA's latest daily petrol pricing sheet the import premium on MS has jumped from USD 19.88/bbl. to USD 25.52/bbl., reflecting an increase of ~USD 5.64/bbl. along with surge in the customs duty from PKR 20.56/litre to PKR 26.15/litre and incidentals by PKR 0.37/litre, respectively. Hence, the current MS price of PKR 374.51/litre, which would have been higher by PKR 14.71/litre, under the old pricing mechanism.
- To note, pre-war levels (March 07, 2026) import premium, customs duty and incidentals amounted to ~PKR 9.04/litre, ~PKR 13.90/litre and ~PKR -0.32/litre, respectively. Hence, under the revised mechanism, premium, customs duty and incidentals have risen by ~PKR 35.42/litre, ~PKR 12.25/litre and ~PKR 1.35/litre, respectively; increasing the overall differential to ~PKR 49.02/litre or ~up to PKR 15Bn per month, to be borne by the refining industry for the next 30 days as per current applicable instructions. The Government may extend the same as well.

Brent Oil Prices (USD/bbl.) - FY27 TD



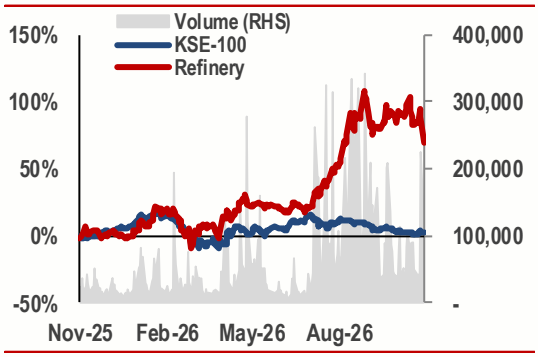
Source: Investing.com & TSL Research

Global Crack Spreads - USD/bbl

Singapore crack spread vs Dubai	Sep'26
Gasoline –Premium unleaded 97 (MS)	24.8
Gasoil – 0.05% sulphur (Diesel)	57.8
Fuel oil – 380 centistokes (FO)	-10.6

Source: OPEC & TSL Research

12 Month Relative Performance of Refinery



Source: PSX and TSL Research

PKR/Litre	7-Mar-26	3-Nov-26	Excess
Premium	9.04	44.46	35.42
CD	13.90	26.15	12.25
Incidentials	-0.32	1.03	1.35
Differential			49.02

Source: OGRA & TSL Research

PKR/Litre	7-Mar-26	3-Nov-26	Change %
FOB Price	168.3	206.6	23%
Import Price	190.9	278.9	46%
Retail Price	321.2	374.5	17%

Source: OGRA & TSL Research

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Substantial hit to refinery profitability

- Considering the current MS refinery yield of ATRL (30%), CNERGY (17%), PRL (17%) and NRL (18%); we estimate the amount to be surrendered: ~PKR 1.9Bn for ATRL, ~PKR 946Mn for CNERGY, ~PKR 1.1Bn for PRL and ~PKR 933Mn for NRL, respectively. The impact has been restricted to 30 days in line with the revised instructions. Consequently, we anticipate substantial hit to the sector profitability as follows: i) ATRL (EPS drops PKR 18/sh.); ii) CNERGY (EPS drops PKR 0.2/sh.); iii) PRL (EPS drops PKR 1.7/sh.); and iv) NRL (EPS drops PKR 11.7/sh.), respectively.
- Moreover, in case the Government decides to extend the timeframe of the revised pricing mechanism up to 3-months, earnings for ATRL, CNERGY, PRL and NRL are expected to decline by ~PKR 55.6/sh., ~PKR 0.5/sh., ~PKR 5.3/sh. & ~PKR 35.0/sh., respectively—assuming the amount to be surrendered remains constant i.e. PKR 49.03/litre.

Restricted inflows for the Upgradation account

- Earnings hit coupled with substantial cash outflow in the form of funds surrendered to the Government have put the viability of the refinery upgradation projects at risk as per industry sources. For context, the differential amount surrendered to the Government may exceed the potential collection and deposit of deemed duty amounts for MS and HSD in the upgradation account (12.5% on ex-refinery prices as per the Amended Refining Policy).
- In addition, if we include total deemed duty of 20% i.e. 10% on both HSD and MS—including 7.5% duty benefit on HSD, then the overall collections from deemed duty drop drastically i.e. ATRL, CNERGY, PRL and NRL's collections are expected to plunge by 92%, 50%, 52% and 43%; in case of a 30 days scenario.
- Resultantly, working capital burden on the refineries may increase (excluding ATRL as it has significant cash on its balance sheet). Further, it is likely that the differential amount payable under the new pricing mechanism by the refineries to the Government is netted-off against the receivables from the Government like custom duties, IFEM reimbursements etc. thereby reducing the net cash outflow.

EPS Impact of New MS Pricing Mechanism

ATRL	Nov'26	3-Months
Projected Volumes (MT)	46,326	142,957
Volumes (Litres) - Mn	62	192
Penalty on Levy (PKR/litre)	49.0	49.0
Penalty on Levy (PKR Mn)	3,048	9,404
After tax (PKR Mn)	1,920	5,925
Impact (PKR/sh.)	**-18.0**	**-55.6**
CNERGY		
Projected Volumes (MT)	22,837	70,472
Volumes (Litres) - Mn	31	95
Penalty on Levy (PKR/litre)	49.0	49.0
Penalty on Levy (PKR Mn)	1,502	4,636
After tax (PKR Mn)	946	2,921
Impact (PKR/sh.)	**-0.2**	**-0.5**
PRL		
Projected Volumes (MT)	25,862	79,807
Volumes (Litres) - Mn	35	107
Penalty on Levy (PKR/litre)	49.0	49.0
Penalty on Levy (PKR Mn)	1,701	5,250
After tax (PKR Mn)	1,072	3,308
Impact (PKR/sh.)	**-1.7**	**-5.3**
NRL		
Projected Volumes (MT)	22,500	67,500
Volumes (Litres) - Mn	30	91
Penalty on Levy (PKR/litre)	49.0	49.0
Penalty on Levy (PKR Mn)	1,480	4,440
After tax (PKR Mn)	933	2,798
Impact (PKR/sh.)	**-11.7**	**-35.0**

Source: OGRA, OCAC, Bloomberg and TSL Research

A Snapshot of projected decline in deemed duty collection

Refinery Sector Update — Revised MS Pricing Mechanism

Projected MS Prices	Nov'26	3-Months	Full-Year FY27
Benchmark Crude (USD/bbl.)	114.3	110.0	95.0
MS Crack Spread (USD/bbl.)	30.0	30.0	30.0
Ex.Refinery price (PKR/Litre)	278.9	271.4	245.2
Estimated Deemed Duty on MS (PKR Mn) - net of tax	**Nov'26**	**3-Months**	**Full-Year FY27**
ATRL	1,092	3,280	8,085
CNERGY	538	1,617	3,986
PRL	610	1,831	4,514
NRL	530	1,549	3,732

Projected HSD Prices	Nov'26	3-Months	Full-Year FY27
Benchmark Crude (USD/bbl.)	114.3	110.0	95.0
MS Crack Spread (USD/bbl.)	38.0	38.0	38.0
Ex.Refinery price (PKR/Litre)	287.3	279.8	253.6
Estimated Deemed Duty on HSD @ 2.5% (PKR Mn) - net of tax	**Nov'26**	**3-Months**	**Full-Year FY27**
ATRL	251	734	1,776
CNERGY	337	984	2,378
PRL	364	1,062	2,568
NRL	404	1,180	2,854

Projected impact on disbursement to upgradation account - PKR Mn	Nov'26	3-Months	Full-Year FY27
ATRL	(576)	(1,911)	(6,301)
CNERGY	(71)	(320)	(1,603)
PRL	(99)	(414)	(1,940)
NRL	2	(69)	(874)

Source: Ogra, Bloomberg & TSL Research

Projected decline in deemed duty benefit - %	Nov'26	3-Months	Full-Year FY27
ATRL	92%	95%	106%
CNERGY	50%	53%	59%
PRL	52%	54%	61%
NRL	43%	45%	49%

Source: OGRA, Bloomberg & TSL Research

SECP Research Entity Notification Number: REP-040

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Refinery Sector Update — Revised MS Pricing Mechanism

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- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S, EV/EBITDA, EV/Revenue etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: https://jamapunji.pk/

Frequently Used Acronyms

TP	Target Price	**DCF**	Discounted Cash Flows	**FCF**	Free Cash Flows
FCFE	Free Cash Flows to Equity	**FCFF**	Free Cash Flows to Firm	**DDM**	Dividend Discount Model
SOTP	Sum of the Parts	**P/E**	Price to Earnings ratio	**P/BVPS**	Price to Book ratio
P/S	Price to Sales	**EVA**	Economic Valued Added	**BVPS**	Book Value per Share
EPS	Earnings per Share	**DPS**	Dividend per Share	**DY**	Dividend Yield
ROE	Return on Equity	**ROA**	Return on Assets	**JPB**	Justified Price to Book

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