

PAKISTAN
OMC

REP-019

MARKET
VISTA

Sitara Petroleum Service Ltd (SPSL) — Subscribe till PkR17.0

- Sitara Petroleum Service Ltd (SPSL) is a downstream petroleum dealer and logistics operator, serving as the dealer of Gas & Oil Pakistan Ltd (GOPL).
- SPSL plans to scale its retail footprint from 61 to ~119 stations by FY30, supported by the 30k MT Faisalabad storage terminal by FY28.
- We recommend 'Subscribe till PkR 17.0/sh', led by i) addition of 50+ retail pumps, ii) ~PkR3/litre supplier discount, iii) dealer margin PkR0.8/litre above OMC margin, iv) lower working capital requirements and immunity to FX fluctuations.

OMC dealer goes public: Sitara Petroleum Service Ltd (SPSL) is a downstream petroleum dealer and logistics operator, serving as the dealer of Gas & Oil Pakistan (GO). The company operates 61 retail pumps (54 GO-branded, 7 Aramco-branded) and a fleet of 320 oil tankers that exclusively serve 21% of GOPL volumes (FY25). The investment proposition rests on a three-part plan: i) expansion of retail network from 61 to 100 stations by FY27, ii) vertical integration through 30k MT storage terminal, and iii) conversion towards full-fledged OMC by FY28. Management has also acquired a 29.9% strategic stake in Capital Smart Motors, an EV importer and future assembler, which is a play on country's growing EV transition, however outside IPO's funding scope.

Retail expansion amid sector strain: SPSL plans to scale its retail footprint from 61 to ~119 stations by FY30, supported by the 30k MT Faisalabad storage terminal by FY28, which is a regulatory precondition under OGRA's minimum stock requirements for an OMC license. That said, there remain several inherent positive in the company including i) planned addition of 50+ retail pumps, ii) asset-light model with inventory days of 7-9 days (pre-OMC conversion), keeping working capital requirement leaner than peer OMCs, iii) dealer margin higher by ~PkR0.8/liter than OMC margin, and iv) ~PkR3/liter discount from supplier on purchases.

However, the OMC sector remains structurally low-growth, with 9MFY26 sales up only 5%YoY to 12.4mn tons, with momentum likely to dampen further due to recent price hikes. Moreover, OMC and dealer margins are OGRA-regulated and seldom revised on time, with current revisions await for over 2.5 years, forcing volumetric growth as the only earnings growth lever. Competitive intensity is simultaneously re-accelerating, with HASCOL and WAFI hastily reclaiming share.

Aramco linkage to cushion supply risk: Single-supplier model remains the central risk of the investment case, with SPSL sourcing 100% of fuel purchases from GOPL. The elevation in volumes from FY25 onwards (up 3.3x YoY) was led by Aramco's acquisition of 40% stake in GOPL and the resulting supply chain unlock. Notably, this makes SPSL a second-order beneficiary of Pakistan-Saudi geopolitical engagement, with tail risks that comes along with it. Hence, Aramco's access to the East-West pipeline should keep supply unhindered even if the Iran-US conflict drags on for several more quarters. However, any escalation in the Red Sea region would be materially more problematic.

Investment Perspective: We recommend with a 'Subscribe till PkR17.0/sh', which is 14% over the pre-IPO private placement reference where institutional investors transacted. At our fair value, SPSL trades at ~6.4x FY26E P/E and ~5.5x FY27E P/E, in-line with sector peers. Risks to our investment thesis stand as follows: i) supply disruptions from GOPL, ii) OMC license delay, iii) macroeconomic deterioration due to geopolitical unrest, iv) further rise in policy rate to elevate finance cost.

AKD Research
research@akdsl.com
111-253-111 Ext:639

IPO Details

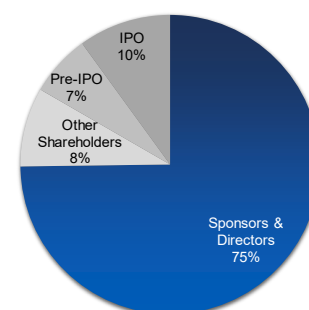
Total Issue Size (shares mn) for 16.7%	279.9
Pre-IPO placement (mn shares) for 6.7% of post-IPO	111.9
Pre-IPO placement price (PkR/sh)	14.85
IPO – Public Offering (mn shares) for 10.0% of post-IPO	168.0
IPO Floor Price – PkR/sh	13.5
IPO Cap Price – PkR/sh	18.9
Method of Offering	Book building and Pre-IPO

Source: Company prospectus & AKD Research

(PkRmn)	Remaining project Cost	Pre-IPO	IPO proceeds	Internal Cash
Oil terminal	4,488	930	1,270	2,288
Fuel pumps	2,228	565	771	892
Oil tankers	1,260	167	227	866
Total	7,976	1,662	2,268	4,046

Source: Company prospectus & AKD Research

Post-IPO Shareholding



Source: Company prospectus & AKD Research



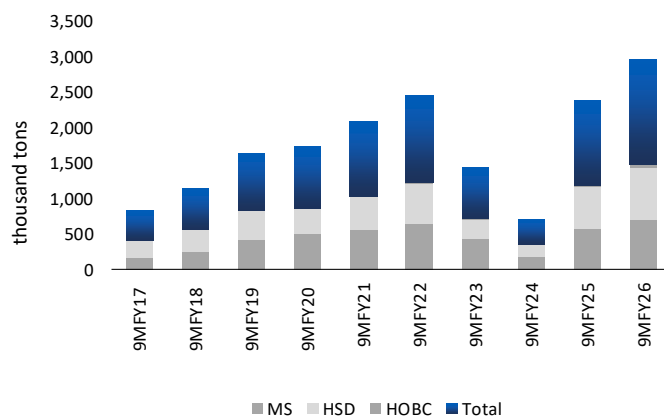
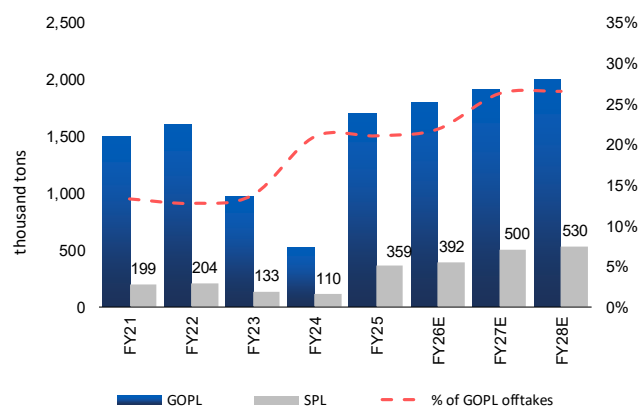
AKD Securities Limited

Income statement snapshot

(PkrMn)	FY24	FY25	FY26E	FY27E	FY28E	FY29E
Net Sales	40,931	121,947	187,171	185,211	194,107	214,184
Cost of sales	39,145	116,432	180,120	176,410	183,739	202,970
Gross Profit	1,786	5,515	7,050	8,801	10,367	11,214
Gross Margin	4.4%	4.5%	3.8%	4.8%	5.3%	5.2%
Other Income	153	46	261	378	478	595
Operating expenses	146	171	207	345	310	348
Other expenses	9	59	64	71	78	86
Operating Profit	1,783	5,332	7,040	8,763	10,457	11,375
Finance cost	1,315	1,156	1,050	1,719	1,294	1,037
Profit before taxation	468	4,176	5,991	7,044	9,163	10,338
Taxation	247	926	1,537	1,888	2,900	3,817
NPAT	221	3,250	4,453	5,156	6,263	6,521
EPS (post-IPO sh)	0.13	1.93	2.65	3.07	3.73	3.88

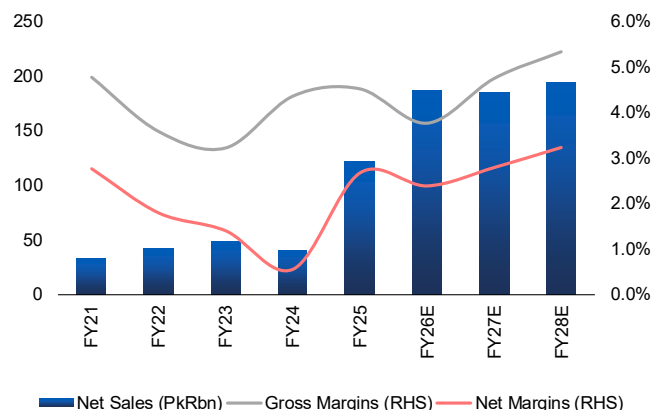
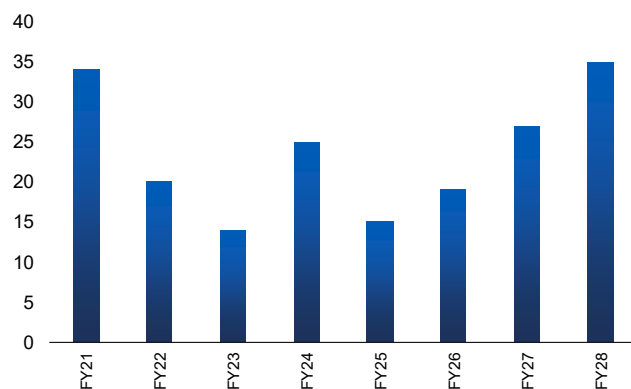
SPL handled 21% of GOPL offtakes in FY25, with plans to increase further

...as GOPL has witnessed significant growth in offtakes



Cash conversion cycles to expand post OMC conversion (days)

...and as Net sales posted three fold growth in FY25 post Aramco inclusion



Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

Stock Ratings

Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances and other considerations. AKDS uses a three tier rating system: i) Buy, ii) Neutral and iii) Sell with total returns (capital upside + dividend yield) benchmarked against the expected one year forward floating (variable) risk free rate (10yr PIB) plus risk premium.

Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

New Rating Definitions

BUY	> 15% expected total return
NEUTRAL	> 0% to < 15% expected total return
SELL	< 0% expected total return

Analyst Certification of Independence

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Disclosure of Interest Area

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Regional Disclosures (Outside Pakistan)

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.

For the United States

Compliance Notice.

This research report prepared by AKD Securities Limited is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker & Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker & Co, LLC in the US shall be borne by Decker & Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if AKD Securities Limited or Decker & Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker & Co, LLC and AKD Securities Limited are permitted to provide research material concerning investment to you under relevant applicable legislations and regulations.



AKD Securities Limited

602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsl.com