



Sitarra Petroleum Service Limited

SITARRA

PETROLEUM SERVICES LIMITED

IPO - INITIAL PUBLIC OFFERING



IMPORTANT DATES



REGISTRATION

April 28th to May 5th, 2026



BOOK BUILDING

May 4th to May 5th, 2026



PUBLIC SUBSCRIPTION

May 11th to May 12th, 2026



FLOOR PRICE

PKR 13.50/Share



PRICE BAND

PKR 13.50 – 18.90/Share



OFFERING

16.66% of the total post-IPO
paid up capital



ISSUE SIZE

279,914,000 SHARES

PRE-IPO

PKR 1.7 Bn

IPO

PKR 2.3 Bn - 3.2 Bn

TOTAL SIZE

PKR 4 Bn - 4.9 Bn



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Pakistan's capital markets continue their FY26 momentum — Sitara Petroleum Service Limited (SPSL) marks the fourth IPO to hit the PSX this year.

SPSL is the largest dealer of GO Petroleum - Pakistan's fastest-growing OMC - with 61 fuel stations (54 GO-branded and 7 Aramco-branded), 320 oil tankers, and a strategic roadmap to acquire an OMC licence by FY2028. The Company is engaged in the trading, distribution, and retail sale of fuel as the largest dealer of Gas & Oil Pakistan (GO) by volume, along with carriage services. The stock is offered at a 54% discount to listed petroleum peers on a P/E basis while the company estimates its FCFE based fair value of PKR 22.83 which implies a 69% upside to the floor price. Key catalysts include the investment in Faisalabad storage terminal, OMC licence transition, and GO's rapid market share gain from PSO. We recommend a **Subscribe at the floor price of PKR 13.50**.

% of Total Shareholding	Pre-Issue	Post-Issue	Change
Existing Shareholders			
Sponsors	89.74%	74.79%	-14.95pp
Other Shareholders	10.26%	8.55%	-1.71pp
Sub Total	100%	83.34%	-16.66pp
New Issue (IPO)			
Pre-IPO		6.66%	+6.66pp
Book Building Portion		7.50%	+7.50pp
Retail/ General Public Portion		2.50%	+2.50pp
Total	100%	100%	

Source: Company Prospectus, HMFS Research

Company Overview

Incorporated in Lahore in July 2012, SPSL operations are bifurcated into two primary revenue streams: fuel retail & bulk distribution (Motor Gasoline and High-Speed Diesel)- 95% of revenue and fleet Carriage Services (logistics) – 5% of the revenue. Its 61 stations span GO and Aramco branding, while all 320 tankers operate exclusively within GO's supply chain. Beyond fuel, stations generate ancillary income through food & beverage sales, car wash, and tyre services — a quiet but growing revenue layer.

Saudi Aramco's 40% acquisition of GO eliminated the supply bottlenecks that had choked SPSL's volumes — and the numbers speak for themselves: revenue jumped from PKR 41 billion in FY24 to PKR 122bn in FY25 in a single year. SPSL accounts for ~21% of GO's total volumes. Seven jointly-owned Aramco stations add another dimension — profits split 80:20 in SPSL's favour.

Number of Shares

Sponsors & Directors	1,256,429,870
Other Shareholders	143,570,130
Pre-Issue Shares	1,400,000,000
Pre-IPO	111,914,000
Book Building'	126,000,000
Retail Investors/ General Public	42,000,000

Total Post-Issue Shares 1,679,914,000

Source: Company Prospectus, HMFS Research

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What's Next — The Growth Play; Three moves define SPSL's next chapter:

SPSL's next chapter is built around three strategic moves, directly funded by IPO proceeds:

* **OMC Licence by FY2028 (56% proceeds PKR 1,270mn):**

A storage terminal under construction at Gatti, Faisalabad serves as the mandatory gateway to OGRA's OMC licence. Once licensed, SPSL markets fuel under its own brand, earns OMC margins, and targets ~50% independence from GO by 2030. This is the single biggest value unlock in the story.

* **100 Stations in 2 Years (34% of proceeds — PKR 771mn):**

From 61 today, SPSL targets 100+ stations — 23 additions in FY26 alone — penetrating high-growth corridors currently underserved by established OMCs, capturing higher fuel volumes and diversifying revenue streams.

* **Fleet to 370 by June 2027 (10% of proceeds — PKR 227mn):**

Tankers count scales from 320 to 370, boosting delivery capacity and locking in logistics revenue as GO's own network expands.

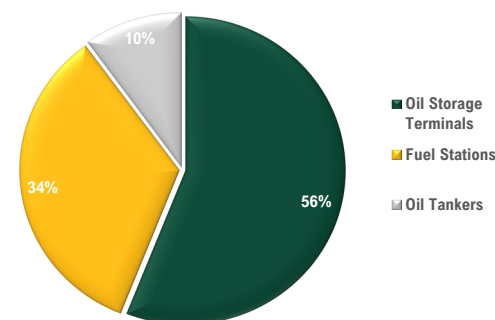
* **On the Horizon:**

EV charging infrastructure at select stations — NEV chargers, batteries, repair services. Early positioning before the transition accelerates.

Strong Topline Growth with Early Signs of Margin Expansion:

SPSL's FY25 results mark a decisive inflection point. Revenue surged to PKR 121.9bn — a 198% jump from PKR 40.9bn in FY24 — driven almost entirely by volumetric recovery in HSD and MS following the resolution of GO's supply constraints post the Aramco acquisition. The FY24 dip was an anomaly, not a structural deterioration; FY25 confirms the rebound is real and sustained. Margins, while inherently thin in the downstream petroleum, are moving in the right direction. Gross margin expanded to 4.5% in FY25 and further to 5.6% in 1H FY26 — aided by GO's volume-linked discount mechanism that SPSL now qualifies for. Operating margin held steady at 4.4%, while net margin recovered sharply to 2.7% from a near-wipeout 0.5% in FY24. Forward projections point to revenue growing at a ~15-16% CAGR through FY30, with gross margins gradually expanding toward 5-6% as operating leverage kicks in and OMC margins are captured post-licensing.

Utilization of IPO Proceeds



Source: Company Prospectus, HMFS Research

Key Ratios	FY23	FY24	FY25
Gross Margins	3.22%	4.36%	4.52%
Operating Profit Margin	2.97%	4.36%	4.37%
Net Profit Margin	1.39%	0.54%	2.67%
ROE	18.20%	4.84%	46.18%
ROA	6.78%	2.10%	20.53%
Current Ratio	1.54	1.32	2.22
Asset Turnover	5.55	3.89	7.70
Debt / Equity	0.85	0.79	1.01
Debt / Total Capital	0.42	0.38	0.45
Debt/ EBITDA	1.41	1.50	0.93

Source: Company Prospectus, HMFS Research

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Leveraged Growth, Strong Deleveraging Path:

The balance sheet tells a story of deliberate, expansion-driven leverage - not distress. Debt/Equity stood at 1.01x in FY25, elevated but contextually justified given the aggressive network buildout and working capital requirements of a 198% revenue scale-up. What matters more: Debt/EBITDA compressed to 0.93x, signaling that earnings growth is outpacing debt accumulation. Asset turnover of 7.7x reflects an asset-light, high-velocity operating model that generates strong revenue per rupee deployed. Finance costs of PKR 1.2bn in FY25 remain a drag — a function of the high-rate environment and expansion financing. However, the trajectory is improving. Interest coverage strengthened to 7.77x in 1HFY26 as policy rates declined and earnings scaled. The current ratio of 2.22x in FY25 provides meaningful liquidity headroom. With PAT projected to grow at ~24% CAGR through FY30 and capex intensity moderating post-terminal construction, deleveraging is not aspirational — it is arithmetically inevitable.

Scalable Retail Model with Stable Volume Base:

SPSL operates across Dealer Operated, Mixed Finance, and Company-Owned Dealer Operated models, enabling scalable network growth. Retail fuel sales dominate, contributing ~95% of FY25 revenues, while the carriage segment contributed 5% of revenues with notably higher gross margins (24.9% in FY25 vs. 3.6% for fuel) providing incremental profitability support. Operations are fully dependent on GO for fuel supply and logistics, ensuring volume stability but creating concentration risk. Margins remain sensitive to OGRA-regulated pricing and demand fluctuations; however, a stable corporate client base (~40% of volumes) underpins revenue visibility and consistency.

Revenue Share by Product	FY2023		FY2024		FY2025	
	PKR mn	%	PKR mn	%	PKR mn	%
Product Type						
MS Sale	16,608.12	34%	13,292.61	33%	46,182.71	38%
HSD Sale	26,301.01	54%	25,701.50	63%	69,883.93	57%
HOBC Sale	75.38	0%	70.62	0%	526.67	0%
Total Fuel Sales	42,984.51	88%	39,064.73	96%	116,593.31	96%
Carriage Services	5,710.05	12%	1,866.24	5%	5,353.39	4%
Total	48,694.56	100%	40,930.97	100%	121,946.70	100%

Source: Company Prospectus, HMFS Research

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Sector Outlook and Overview:

SPSL operates within Pakistan’s oil marketing and distribution sector, a critical component of the country’s energy value chain, linking refineries and imports to end consumers. The sector recorded revenues of ~PKR 4.4tn in FY25, remaining largely flat YoY due to softer global oil prices, despite a robust volumetric recovery of ~9.5%. Total POL consumption rebounded to ~18.5mn MT, supported by higher imports and improved refinery throughput, indicating fundamental strengthening demand. The competitive landscape is intensifying, with the number of licensed OMCs rising to ~48, although market share remains concentrated among key players, with emerging entrants—particularly GO—rapidly gaining ground. While the sector benefits from steady demand and a dominant share (>60%) in the national energy mix, profitability remains constrained by regulated pricing, high working capital requirements, and exposure to macroeconomic volatility. The ongoing shift toward organized and branded retail, coupled with the entry of global players such as Saudi Aramco, is enhancing supply reliability and product quality. This evolving landscape presents both competitive pressures and structural growth opportunities for integrated players like SPSL.

Investment Thesis: Attractive Risk-Reward Entry Point:

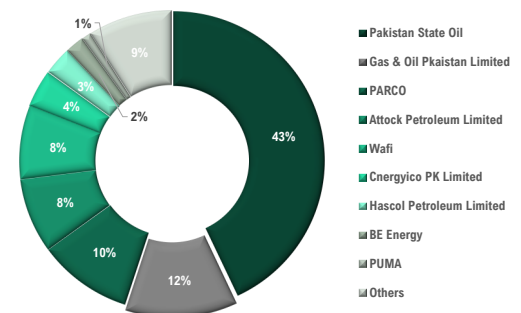
SPSL presents a compelling investment case, characterized by a significant valuation gap relative to industry peers and substantial intrinsic upside. At the floor price of PKR 13.50, the company trades at a P/E multiple of 3.96x, representing a 54% discount to the market-cap-weighted industry average of 8.52x. This attractive entry point is further supported by an FCF-based DCF valuation, which utilizes a terminal growth rate of 3.50% and a WACC of 14.98%–17.16% to derive a target price of PKR 22.83 per share. This target price implies a potential upside of 69.10% from the floor price, underscoring the company's robust fundamental value and the margin of safety offered to investors.

Industry Stats

Name	No. of Fuel Stations
Pakistan State Oil	3,649
Gas & Oil Pakistan Limited	1,319
PARCO	823
Attock Petroleum Limited	776
Wafi	676
Cnergyico PK Limited	476
Hascol Petroleum Limited	659
BE Energy	519
PUMA	560
Others	910
Total	10,367

Source: Company Prospectus, HMFS Research

OMC Market Share - CY25



Source: Company Prospectus, HMFS Research

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Risk to Valuation:

- **GO Concentration Risk:** ~95% revenue dependency on a single OMC creates material counterparty and volume exposure.
- **OMC Licence Execution Risk:** Any delay in terminal construction or OGRA approval directly defers the core value unlock.
- **Leverage Sensitivity:** Debt/Equity at 1.01x leaves limited buffer against earnings disappointment or rate reversals.
- **Crude Price Volatility:** Sharp movements in global oil prices directly impact inventory valuations, working capital requirements, and dealer margins.
- **Margin Compression Risk:** Regulated pricing via OGRA limit's pass-through ability; any cost-side pressure risks squeezing already thin downstream margins.
- **Macroeconomic Deterioration:** An economic slowdown, renewed currency depreciation, or elevated interest rates could suppress fuel demand, inflate financing costs, and delay the deleveraging trajectory.

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Income Statement (PKR Mn)	FY24A	FY25A	FY26F	FY27F	FY28F	FY29F	FY30F
Net Sales	40,931	121,947	138,871	200,469	236,056	264,048	291,308
Cost of Sales	(39,145)	-116,432	-132,134	-191,381	-224,840	-251,094	-276,283
Gross Profit	1,786	5,515	6,737	9,088	11,216	12,955	15,025
Other Incomes	153	46	4.85%	4.53%	4.75%	4.91%	5.16%
Administrative & General Expenses	(146)	-171	247	375	482	929	1,493
Other Operating Expenses	(9)	-59	-210	-350	-315	-353	-394
Operating Profit	1,784	5,332	-64	-71	-78	-86	-94
Financial Charge	(1,315)	-1,156	6,709	9,043	11,305	13,445	16,030
Profit/Loss Before Taxation	468	4,176	4.83%	4.51%	4.79%	5.09%	5.50%
Taxation	(247)	-926	-927	-736	-475	-351	-325
Profit/Loss After Taxation	221	3,250	5,781	8,307	10,829	13,094	15,705

Source: Company Prospectus, HMFS Research

DCF Valuation Summary (FCFF-Based)

Assumption Value	
Risk-Free Rate	10.52%
Beta	1.19
Market Risk Premium	6%
Cost of Equity	17.67%
After-Tax Cost of Debt	8.39% - 8.59%
WACC Range	14.98% - 17.16%
Terminal Growth Rate	3.50%

Valuation Summary PKR

Enterprise Value	46,494,882,876
Cash	633,236,273
Net Debt	-8,778,015,314
Equity Value	38,350,103,835
Shares Outstanding	1,679,914,000
Target Price (DCF)	22.83

Scenario Value/Share (PKR)

DCF Target Price	22.83
Market Price (Floor)	13.5
Upside/(Downside)	69.10%

Source: HMFS Research

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Balance Sheet (PKR Mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Stock in Trade	1,892	3,914	5,246	6,631	10,809
Trade Debts	4,042	6,309	7,235	9,109	9,936
Others	872	2,944	4,590	2,322	6,465
Total Current Assets	6,806	13,167	17,071	18,062	27,210
Property, Plant & Equipment	5,027	6,659	9,043	11,253	15,972
Others	-	-	1,724	5,314	605
Total Non-Current Assets	5,027	6,659	10,767	16,567	16,577
TOTAL ASSETS	11,833	19,826	27,838	34,629	43,787
Creditors & Accrued Liab.	1,732	933	2,526	4,692	8,068
Short Term Borrowings	2,217	1,848	1,286	1,729	2,107
Others	1,204	3,142	4,240	4,306	3,550
Total Current Liabilities	5,153	5,923	8,052	10,727	13,725
Long Term Loans	962	4,121	1,819	-	-
Others	307	1,119	1,082	750	435
Total Non-Current Liabilities	1,269	5,240	2,901	750	435
Total Liabilities	6,422	11,163	10,953	11,477	14,160
Share Capital	1,400	1,400	1,680	1,680	1,680
Share Premium	-	-	3,650	3,650	3,650
Revaluation Surplus	1,462	1,462	1,462	1,462	1,462
Unappropriated Profit	2,549	5,801	10,093	16,360	22,835
Total Equity	5,411	8,663	16,884	23,152	29,627
TOTAL EQUITY & LIABILITIES	11,833	19,826	27,838	34,629	43,787

Source: Company Prospectus, HMFS Research

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Valuation Methodology

To arrive at our fair value estimates, HMFS uses different valuation methodologies including but not limited to:

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

HMFS RATING GUIDE	
BUY	More than 15% Upside
HOLD	Between 15% Upside & 15% Downside
SELL	More than 15% Downside
Note: All fair value estimates are for a twelve month time horizon unless specified otherwise in the report Upside/Downside represents the difference between the stated “Fair Value” & the prevailing “Market Price” Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes	