Day Break

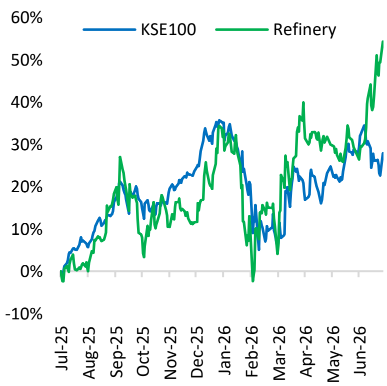
Tuesday, July 28, 2026

Refinery

Cabinet Approves Amendments to Refinery Policy 2023

- In today's meeting of Cabinet Committee on Energy (CCoE), Prime Minister (PM) of Pakistan approved amendments to Brownfield Refinery Policy 2023. The approved amendments are aimed at expediting the process of Refinery Upgrades worth US$ 6bn including signing of the Master Agreement within 90 days.
- As per news flows, the amendments to Policy provide a 7 year upgrade window with 10% deemed duty applicable on MS and HSD out of which entire 10% duty on MS and 2.5% on HSD will be deposited in escrow. Furthermore, sales tax waiver on machinery imports for refineries is also allowed for upgradation. The major hurdle for refineries regarding claim of input sales tax adjustment has also been proposed to be allowed.
- In our view, probability of refinery upgrade has improved post approval. PRL is likely to benefit due to first mover advantage having completed FEED and EPC bid evaluated. PRL and CYNERGY upgradation will likely focus on product slate improvement due to higher FO yields and thus are likely to have visible earnings impact, however financing remains a key concern. ATRL, in comparison, having much stronger balance sheet with cash of PKR 98bn, is well poised to finance the project while focusing more on product quality enhancement

Exhibit: Refinery Sector Relative Price Performance against KSE100



Source: CapitalStake, PSX, IGI Research

PM Approves Amendments to Refinery Policy 2023

In today's meeting of Cabinet Committee on Energy (CCoE), Prime Minister (PM) of Pakistan approved amendments to Brownfield Refinery Policy 2023. The approved amendments are aimed at expediting the process of Refinery Upgrades worth US$ 6bn including signing of the Master Agreement within 90 days. Euro-V standard remains critical for fulfilling Pakistan's international environmental commitments. PM also ordered roadshows to be held in Qatar, Saudi Arabia and other Gulf countries to promote and bring investment in brownfield refinery upgrade projects and directed authorities to increase Pakistan's strategic petroleum reserves amid oil supply shocks due to US-Iran war choking supplies through Strait of Hormuz.

Brownfield Refinery Policy 2023

To recall, the Refinery upgrade under Brownfield Refinery Policy 2023 focuses on improving product quality to Euro-V and upgrade from existing 'Hydro-Skimming' Technology to 'Deep Conversion'. This should substantially lower FO throughput and increase high margins MS and HSD output. The Government finalized the Brownfield Refinery Policy

Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

2023 in Aug-23 and approved it in Apr-24 after years of consultation. However, the execution faced delays due to a) sales tax claim issue post Budget 2024-25 creating anomalies, b) Capital constraints, c) clearance of stuck-up funds and d) other refinery specific issues.

Amendments to Refining Policy

As per news flows, the amendments to Policy provide a 7 year upgrade window with 10% deemed duty applicable on MS and HSD out of which entire 10% duty on MS and 2.5% on HSD will be deposited in escrow. Furthermore, sales tax waiver on machinery imports for refineries is also allowed for upgradation. The major hurdle for refineries regarding claim of input sales tax adjustment has also been proposed to be allowed. These key adjustments are likely to facilitate upgradation project for refineries addressing cash flow concerns. We await detailed document for further clarity and confirmation of these said amendments.

Importance for Refinery sector and Pakistan

Considering the approval of these amendments, we view the sector will likely move beyond the Policy risk and enter the execution stage with major concerns now addressed. The upgradation project will provide more stability in terms of profits and throughput to the refinery sector as capacity utilization remains low due to high FO yield. For Pakistan, the upgradation is likely to reduce import reliance and provide Forex savings as well. It will also strengthen energy security while also reduce emissions and align Pakistan will international environment standards.

Sector Outlook

In our view, probability of refinery upgrade has improved post approval. PRL is likely to benefit due to first mover advantage having completed FEED and EPC bid evaluated. PRL and CYNERGY upgradation will likely focus on product slate improvement due to higher FO yields and thus are likely to have visible earnings impact, however financing remains a key concern. ATRL, in comparison, having much stronger balance sheet with cash of PKR 98bn, is well poised to finance the project while focusing more on product quality enhancement. ATRL, NRL and CYNERGY have also done engineering studies and project planning but remain at early stages compared to PRL. If executed and implemented, this could significantly change Pakistan’s Refinery Sector dynamics. We await detailed policy and implementation of the Policy for further clarity.

9Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution. All Research Analysts are receiving fixed pay and reporting directly to Head of Research who reports to CEO.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation Rating System
Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)
Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)
Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Valuation Methodology: To arrive at Target Prices, IGI Finex Securities uses different valuation methodologies including

- Discounted Cash Flow (DCF)
- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: Target Price: A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009

Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Syeda Mahrukh Hameed	Regional Head (North)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Faraz Naqvi	Branch Manager (Karachi)	Tel: (+92-21) 111 234 234 Ext: 826	faraz.naqvi@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Syed Muzammil Hasan Rizvi	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 569	muzammil.rizvi@igi.com.pk
Sufyan Siddiqui	Database Officer	Tel: (+92-21) 111-234-234 Ext: 888	sufyan.siddiqui@igi.com.pk

IGI Finex Securities Limited
Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited
Website: www.igisecurities.com.pk

Head Office
Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001
Fax: (+92-21) 35309169, 35301780

Lahore Office
Shop # G-009, Ground Floor,
Packages Mall
Tel: (+92-42) 38303560-69

LSE Plaza
Office No.1A at North Mezzanine Floor of the LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore.
Tel: (+92-42) 38303565

Islamabad Office
3rd Floor, Kamran Centre,
Block- B, Jinnah Avenue, Blue Area
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Faisalabad Office
Office No. 2, 5 & 8, Ground Floor, The
Regency International 949, The Mall
Faisalabad
Tel: (+92-41) 2540843-45

Rahim Yar Khan Office
Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road
Tel: (+92-68) 5871652-3
Fax: (+92-68) 5871651

Multan Office
Mezzanine Floor, Abdali Tower,
Abdali Road
Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009