

Sitara Petroleum Service Limited - IPO

We recommend subscribing to the IPO at 18.90.

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Sitara Petroleum Service has demonstrated exceptional growth, recording a revenue CAGR of 58.3% and an EPS CAGR of 119% over FY23 to FY25. Despite this strong performance, the stock is priced attractively, trading at a P/E of 6.99x at the floor price of PKR 13.50, significantly below the peer average of 16.79x. Moreover, its P/B of 1.59x is well supported by robust fundamentals, with an ROE of 52% comfortably exceeding the 17.67% cost of equity, indicating ongoing value creation. Overall, the combination of high growth and a compelling valuation profile makes the investment attractive at its upper band of 18.9.

Company Overview

Sitara Petroleum Service Limited is an integrated oil distribution and logistics company engaged in the trading, transportation, and retail sale of petroleum products across Pakistan. It functions as a key logistics partner of Gas & Oil Pakistan (GO), managing nationwide fuel distribution while also operating branded retail outlets under GO and Aramco. The Company's business model combines fuel retailing, carriage services, and value-added offerings at fuel stations, including convenience services, ensuring operational efficiency and diversified revenue streams.

Distribution Network: The Company ensures efficient nationwide fuel distribution through a 320+ tanker fleet and 61 retail stations.

Expansion Footprint: The Company is expanding toward 100+ stations while pursuing storage infrastructure and OMC status to strengthen long-term growth and market position.

Service Portfolio: The Company delivers a diversified mix of fuel retail, distribution, and logistics, complemented by value-added station services to enhance customer experience and revenue streams.

Operational Capacity: Sitara Petroleum is scaling from 320 tankers and 61 stations to 370 tankers with ~30,000 MT storage, strengthening logistics capacity and supply chain control.

Purpose of the Issue

The proceeds of the Issue are intended to finance the Company's expansion initiatives, including the development of an oil storage terminal, establishment of new retail fuel stations, and expansion of its oil tanker fleet to strengthen logistics capabilities.

Issue details

This Issue consists of 168.00 million Ordinary Shares equivalent to 10.00% of the total Post-IPO Paid-Up Capital of Sitara Petroleum Service Limited, having a face value of PKR 1.00 each. Out of the total issue size of 168,000,000 ordinary shares, 75.00% of the issue, comprising 126,000,000 ordinary shares, will be offered through the book building process at a floor price of PKR 13.50 per share (with a price band of up to PKR 18.90 per share) and allotted to successful bidders, while the remaining 25.00%, consisting of 42,000,000 ordinary shares, will be offered to retail investors at the strike price. Accordingly, the Company is expected to raise approximately PKR 2,268.00 million at the floor price, which may increase to up to PKR 3,175.20 million if the shares are offered at the ceiling price.

Key Statistics

Company Name	Sitara Petroleum Service Limited		
Floor Price	13.50		
Upper Band of Floor Price	18.90		
Book Building Dates	04-05 May 2026		
IPO Dates	11-12 May 2026		
Size of Issue	168 million Ordinary Shares		
Free Float	25.21%		
Pre-IPO No. of Shares (mn)	1,400.00		
Post-IPO No. of Shares (mn)	1,679.90		
	CY23	CY24	CY25
Sales (Rs. Bn)	48.695	40.931	121.947
Sales Growth		-15.9%	197.9%
GPM	3.22%	4.36%	4.52%
NPM	1.39%	0.54%	2.67%
EPS	0.40	0.13	1.93
	P/E	P/B	
Competitors	9.09	0.85	
PSO	9.43	2.11	
WAFI	6.40	1.14	
APL	42.22	1.28	
HTL	16.79	1.35	
Average	9.26	1.21	
Median	6.99	1.59	
SPSL	58.4%	17.8%	
(Discount)/Premium			

Financial Performance

Over the past few years, the Company has demonstrated consistent and robust financial expansion, with revenue growing from PKR 48,695 million in FY23 to PKR 121,947 million in FY25, reflecting a CAGR of approximately 58.3%. Profit after tax has shown even stronger momentum, increasing from PKR 676 million in FY23 to PKR 3,250 million in FY25, translating into a CAGR of around 119%. Correspondingly, earnings per share (EPS) improved from PKR 0.40 to PKR 1.93 over the same period.

Profitability indicators have also strengthened meaningfully, with gross margins expanding from 3.22% in FY23 to 4.52% in FY25, while operating profit margins improved from 2.97% to 4.37%, highlighting enhanced operational efficiency and margin resilience.

This positive trajectory has extended into 1HFY26, where the Company reported revenue of PKR 72,612 million and EPS of 1.55, underscoring continued earnings growth. Gross margin further improved to 5.61%, reinforcing the sustained improvement in profitability.

Note: EPS is taken by dividing PAT by post IPO no. of shares

Valuation

At the floor price of PKR 13.5, Sitara Petroleum Service Limited is valued at a P/E multiple of 6.99x, reflecting an 58.4% discount to its selected peer average P/E of 16.79x. At the upper band of PKR 18.9, the stock trades at a P/E of 9.79x, still representing a 41.7% discount to the same peer benchmark.

The company's P/B ratio stands at 1.59x, which is above the selected peer average of 1.35x. This premium is justified by its strong return on equity of 52%, significantly exceeding the cost of equity of 17.67%.

Overall, despite trading at a relatively higher P/B multiple, Sitara Petroleum Service Limited appears undervalued, supported by robust fundamentals and a deeply discounted P/E valuation, thereby enhancing its appeal for long-term investors.

Key Risks

- Supply chain
- Inflation
- OMC License
- High dependence on Go and Aramco

How to Apply

Click the link below to access the video tutorial and written instructions:

<https://eipo.psx.com.pk/EIPO/home/index#>

In case of any queries, please feel free to contact Mr. Junaid Dastagir at 03224026587.

Sources: ACPL Research, IPO Prospectus, PSX

Muhammad Dawood

Phone: (+92) 42 38302028; Ext: 116

Email: mdawood@abbasiandcompany.com

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DEFINITION OF TERMS

TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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RESEARCH DEPARTMENT

6 - Shadman, Lahore
Phone: (+92) 42 38302028; Ext 116, 117
Email: research@abbasiandcompany.com
web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore
Phone: (+92) 42 38302028
Email: info@abbasiandcompany.com
web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore
Phone: (+92) 42 37320707
Email: info@abbasiandcompany.com
web: www.abbasiandcompany.com