

PSO looking to up its stake in PRL

Newspaper reports over the weekend suggested that Pakistan State Oil (PSO) is looking to increase its stake in Pakistan Refinery Limited (PRL) from 18% to over 51%. Though the US\$800mn stated in the newspaper appears highly inflated, we have learnt that an amount of US\$80mn is being considered for the stake. Moreover, PRL would be looking to issue rights shares, with other major shareholders namely Shell Pakistan (30%) and Chevron Global (12%) likely giving PSO the right to subscribe their portion of the issue.

PSO's loss of market share in (57% from 61% earlier) diesel sales, due to the refinery's reluctance to provide supplies on credit and potential deregulation of the Inland Freight Equalization Margin (IFEM) seem to be primary motivators for PSO to raise its stake. We remain apprehensive on the news, considering PRL is currently a loss making entity, and await further clarification from the concerned companies on the issue. We retain our valuation for the company, and maintain our 'Buy' stance on the scrip.

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